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United Stores Corporation

Report to Stockholders
Year Ending December 31, 1936

OFFICERS

GEORGE K. MORROW, *Chairman of the Board*

ROBERT W. JAMESON, *President*

RANDOLPH CATLIN, *First Vice-President*

GEORGE WATTLEY, *Secretary and Treasurer*

BOARD OF DIRECTORS

RANDOLPH CATLIN

GEORGE K. MORROW

WILBUR L. CUMMINGS

H. HOBART PORTER

ROBERT W. JAMESON

WALTER B. RYAN, JR.

THOMAS H. MCINNERNEY

EUGENE W. STETSON

UNITED STORES CORPORATION

605 BROAD STREET

NEWARK, N. J.

MARCH 30, 1937.

To the Stockholders of

UNITED STORES CORPORATION :

There are presented herewith the following financial statements of United Stores Corporation for the year ending December 31, 1936, with the report of Messrs. Price, Waterhouse & Co. thereon :

Balance Sheet

Statement of Income and Expense

Statement of Surplus

For the information of the stockholders there are enclosed herewith copies of the Annual Report of McLellan Stores Company for the fiscal year ending January 31, 1937, and of the respective Annual Reports of McCrory Stores Corporation and Tobacco Products Corporation of Delaware for the year ending December 31, 1936.

By order of the Board of Directors.

GEORGE K. MORROW,

Chairman.

UNITED STORES

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in banks	\$ 71,598.08
Receivable from Tobacco Products Corporation of New Jersey	308.07

OFFICE FURNITURE AND FIXTURES at nominal value.....	\$ 71,906.15
	1.00

INVESTMENTS:—

At cost, including fees and charges in connection with acquisition:

McCrary Stores Corporation (see Note 1)—	
18,500 shares convertible 6% cumulative preferred stock	\$5,360,825.38
\$100 par value (37% of total outstanding)	
374,138 shares common stock, \$1 par value (37.78% of total outstanding)	
McLellan Stores Company (see Note 1)—	
8,322 shares 6% preferred stock, cumulative, convertible,	4,521,088.02
\$100 par value (27.74% of total outstanding)	
380,097½ shares common stock, \$1 par value (51.84% of total outstanding)	

After write-down authorized by the Board of Directors as at May 31, 1933:

Tobacco Products Corporation of Delaware (see Note 2)—	
20,844 shares of capital stock (63.23% of total outstanding) ..	624,100.25
(20,263 shares as valued by the Board of Directors in 1933 at approximate book value of \$30 per share, and 581 shares subsequently purchased at average cost of \$27.90 per share).	

10,506,013.65

NOTE 1—Quoted market values at December 31, 1936:—

McCrary Stores Corporation:	
6% preferred stock	100
Common stock	19
McLellan Stores Company:	
6% preferred stock	108
Common stock	17¾

NOTE 2—The company's investment in Tobacco Products Corporation of Delaware is carried at the approximate book value of the assets of that company and its subsidiary, Tobacco Products Corporation of New Jersey. The value of the investment is contingent upon the liability for any taxes which may be payable by Tobacco Products Corporation of New Jersey upon \$36,286,128.85 received from The American Tobacco Company in commutation of a lease in January, 1935. The amount of, and persons liable for payment of, any such taxes have not been determined, but in the opinion of counsel, United Stores Corporation is not liable therefor.

\$10,577,920.80

To the Board of Directors of

UNITED STORES CORPORATION:

We have made an examination of the balance sheet of United Stores Corporation as at December 31, examined accounting records of the company and other supporting evidence and obtained information and ex-

In our opinion, based upon our examination and except as to the question concerning the liability for F of income and expense and surplus fairly present, in accordance with accepted principles of accounting consi- December 31, 1936 and the result of its operations for the year.

56 Pine Street,
New York, N. Y.
March 27, 1937.

CORPORATION

—DECEMBER 31, 1936

LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	\$ 31,544.15
Unclaimed dividends	2,813.92
Provision for taxes (see Note 3)	212,100.00
Payable to Tobacco Products Corporation of Delaware	251.36
	<hr/>
	\$ 246,709.43
CAPITAL STOCK AND SURPLUS:—	
Capital stock:	
\$6 cumulative convertible preferred stock, without par value, preferred over Class A and common as to \$115 per share plus accrued dividends on dissolution—	
Authorized —101,800 shares	
Outstanding—101,495 shares at stated capital of	\$2,537,375.00
NOTE—Preferred dividends have accumulated since August 15, 1929 less \$30. per share paid on account. The arrears at December 31, 1936 amount to \$13.50 per share, or a total of \$1,370,182.50.	
Class A stock without par value, convertible, preferred over common as to \$4.20 per annum non-cumulative and as to \$75 per share on dissolution—	
Authorized —918,000 shares	
Outstanding—915,979* shares at stated capital of	4,579,895.00
Common stock without par value—	
Authorized—2,090,200 shares including 1,017,474 shares reserved for conversion of preferred and Class A stocks	
Outstanding, less in treasury—504,192* shares at stated capital of	252,096.00
* Including shares exchangeable for outstanding certificates of deposit.	
Surplus, per statement attached	2,961,845.37
	<hr/>
	10,331,211.37
NOTE 3—The company's Federal income tax returns for the years subsequent to 1931 are subject to final review by the Department of Internal Revenue with particular reference to the cost basis of securities sold and the profits resulting from the McCrory Stores Corporation reorganization.	
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	<u>\$10,577,920.80</u>

1936 and of the statements of income and expense and surplus for the year 1936. In connection therewith, we planations from officers of the corporation. Federal income taxes more fully described in notes to the balance sheet, the above balance sheet and related statements stently maintained by the corporation during the year under review, the position of United Stores Corporation at

PRICE, WATERHOUSE & CO.

UNITED STORES CORPORATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDING DECEMBER 31, 1936

Income:

Dividends received, including amount applicable to 1936 received at time of reorganization of McCrory Stores Corporation	\$222,612.40	
Interest received on obligations of McCrory Stores Corporation applicable to 1936	124,831.71	
Other interest received	<u>1,009.35</u>	\$348,453.46

Expenses:

Stock transfer and custodian expenses	\$ 20,976.29	
General and administrative expenses	85,388.42	
Franchise and capital stock taxes	30,357.83	
Interest paid	<u>19,736.10</u>	156,458.64
Net profit for the year		<u><u>\$191,994.82</u></u>

NOTE—The company provided \$170,000 for Federal income taxes for 1936 which amount was charged to surplus inasmuch as substantially all the taxable income represented thereby was credited to surplus and to cost of investments. No provision was considered necessary for surtax on undistributed profits.

NOTE—Fees and charges in connection with the acquisition of securities have been charged to the investment account.

UNITED STORES CORPORATION

STATEMENT OF SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1936

Balance at December 31, 1935 per report to stockholders for that year...			\$3,586,532.97
<i>Add:</i>			
Profit on sale or liquidation of obligations of McCrory Stores Corporation (reorganized in 1936) including interest and dividends applicable to prior years	\$ 849,973.71		
Excess of proceeds received on liquidation of The Union Tobacco Company over book value of investment therein	6,764.00		
	<u>\$ 856,737.71</u>		
<i>Deduct:</i>			
Provision for Federal income tax	\$170,000.00		
Sundry charges	24.82	170,024.82	
		<u>686,712.89</u>	
Net profit for the year ending December 31, 1936, per statement attached		\$4,273,245.86	
		191,994.82	
		<u>\$4,465,240.68</u>	
<i>Deduct</i> —Dividends paid in cash on \$6 cumulative convertible preferred stock:			
June 15, 1936 at \$3 per share	\$ 304,485.00		
December 15, 1936 at \$11.81¼ per share	1,198,910.31		
		<u>1,503,395.31</u>	
Surplus at December 31, 1936, per balance sheet		<u>\$2,961,845.37</u>	

